

Part IV – Items of General Interest

Cash Balance Conversion Plans Awaiting Technical Advice

Announcement 2003-1

On December 11, 2002, a notice of proposed rulemaking and notice of public hearing (REG-209500-86) relating to age discrimination requirements applicable to certain retirement plans under §§ 411(b)(1)(H) and 411(b)(2) of the Internal Revenue Code of 1986 are being published in the Federal Register. The proposed regulation provides rules regarding the age discrimination requirements applicable to certain retirement plans under which accruals and allocations cannot be ceased or reduced because of the attainment of any age. When finalized, these regulations would affect retirement plan sponsors and administrators, and participants in and beneficiaries of retirement plans.

Beginning September 15, 1999, cases in which an application for a determination letter or a plan under examination involved an amendment to change a traditional defined benefit plan to become a cash balance plan (cash balance conversions) were required to be submitted to the Washington, D.C. office of the Internal Revenue Service for technical advice on the conversion's effect on the plan's qualified status. Many such cases were submitted and are still pending. These cases have not been processed because certain age discrimination issues under § 411(b)(1)(H) have continued to be the subject of discussions between Treasury and other agencies. While the regulations issued today address the age discrimination issues of § 411(b)(1)(H), they are subject to public comments and possible revision before finalization. The technical advice cases on cash balance conversions will not be processed until the regulation addressing the age discrimination issues is finalized. The finalization of the regulation is a high priority for the Service.